

Long Term Services and Supports Trends in the United States and South Carolina

Lt. Governor's State Summit on Aging

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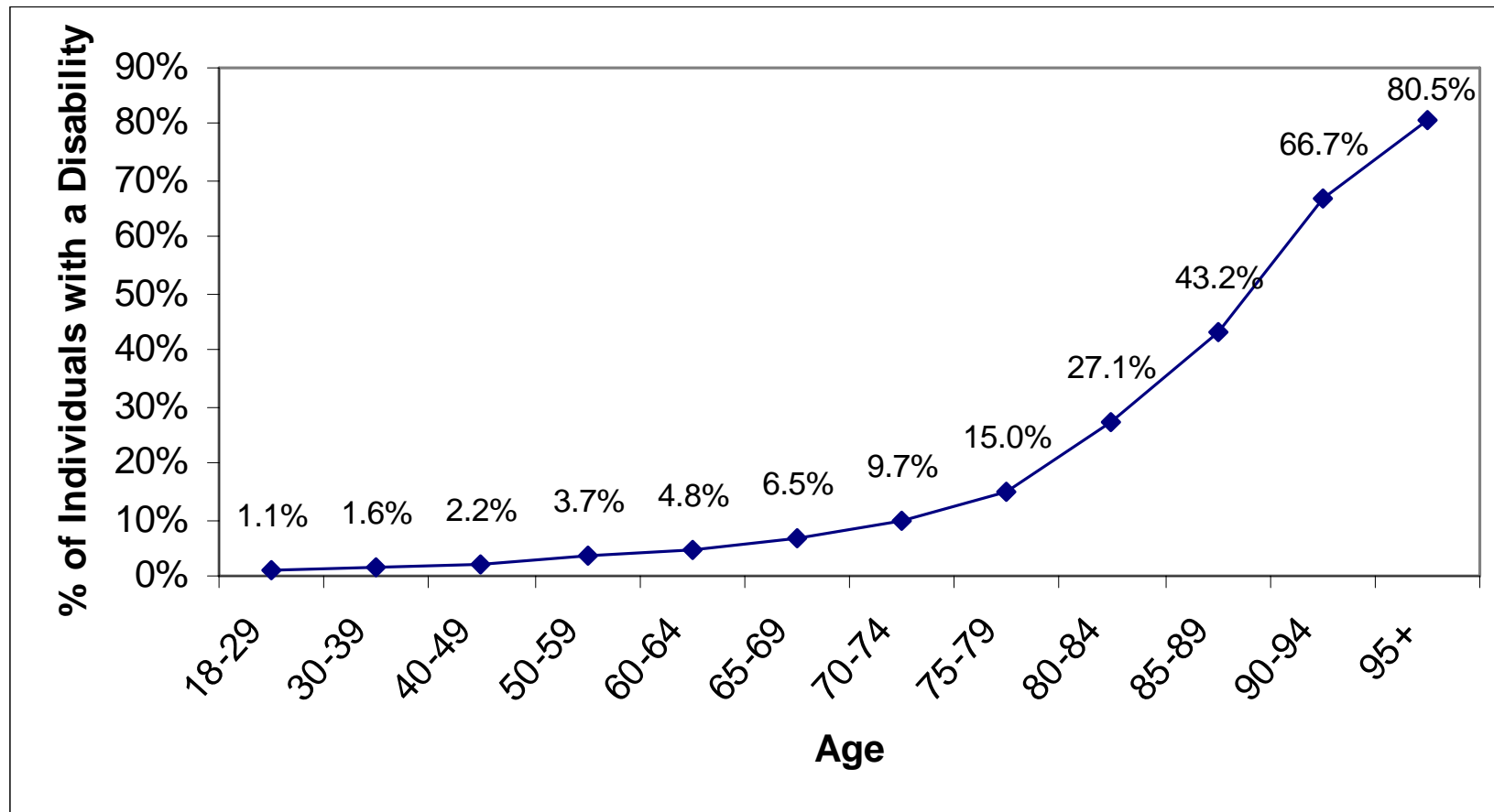
Overview

- ◆ **Review of the Basics**
- ◆ **Major Trends**
 - Demographics
 - Delivery
 - Financing
- ◆ **Implications for the Future**

What are Long Term Services and Supports?

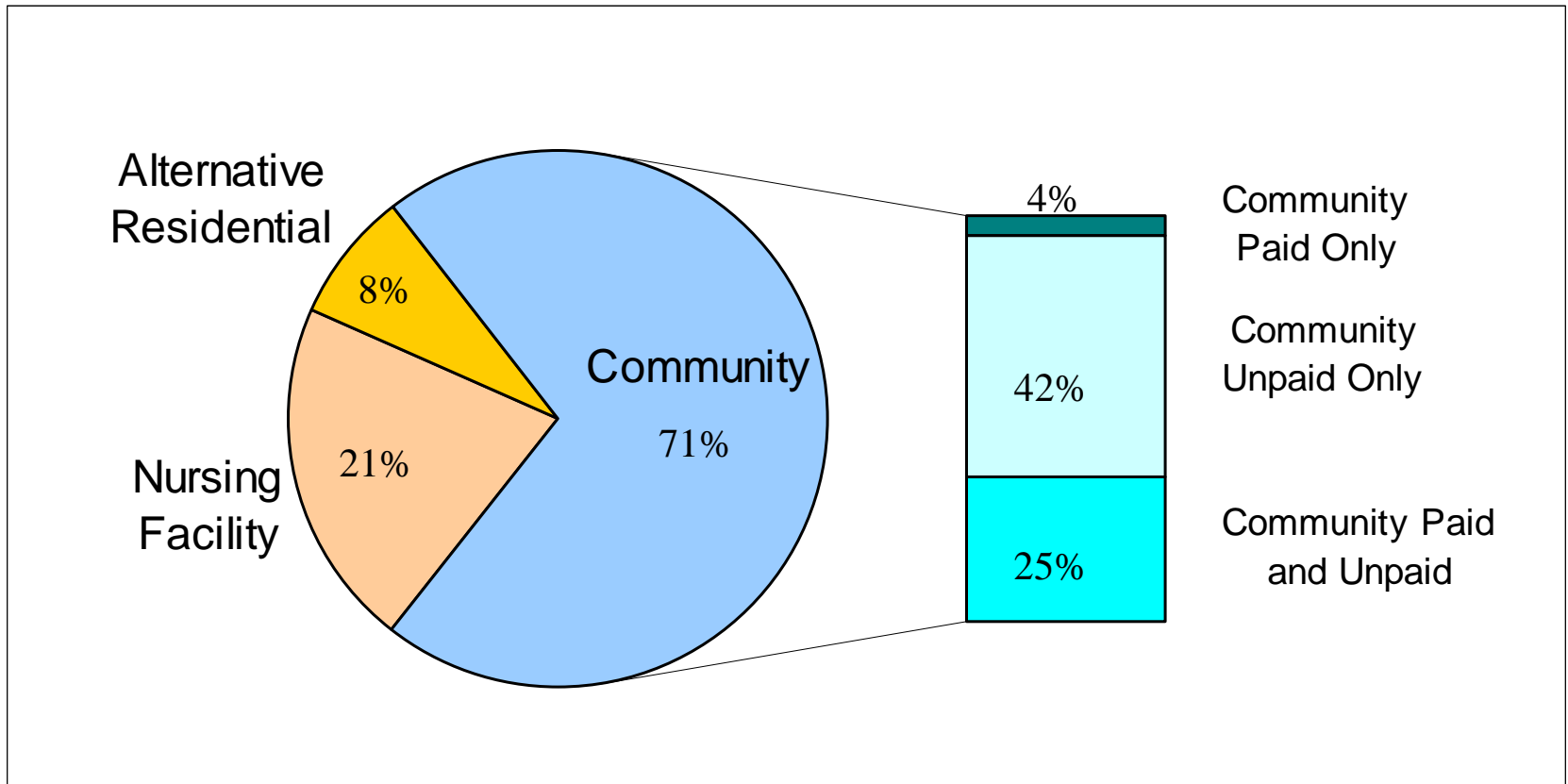
- ◆ **Services and supports needed when one's ability to care for self has been reduced by a chronic illness, disability, or frailty.**
- ◆ **Services usually provided:**
 - by family and friends at home
 - through home and community-based services, such as home health care, personal care, and adult day services
 - in institutional settings, such as nursing homes or residential care facilities

Who Might Need Long Term Services and Supports?



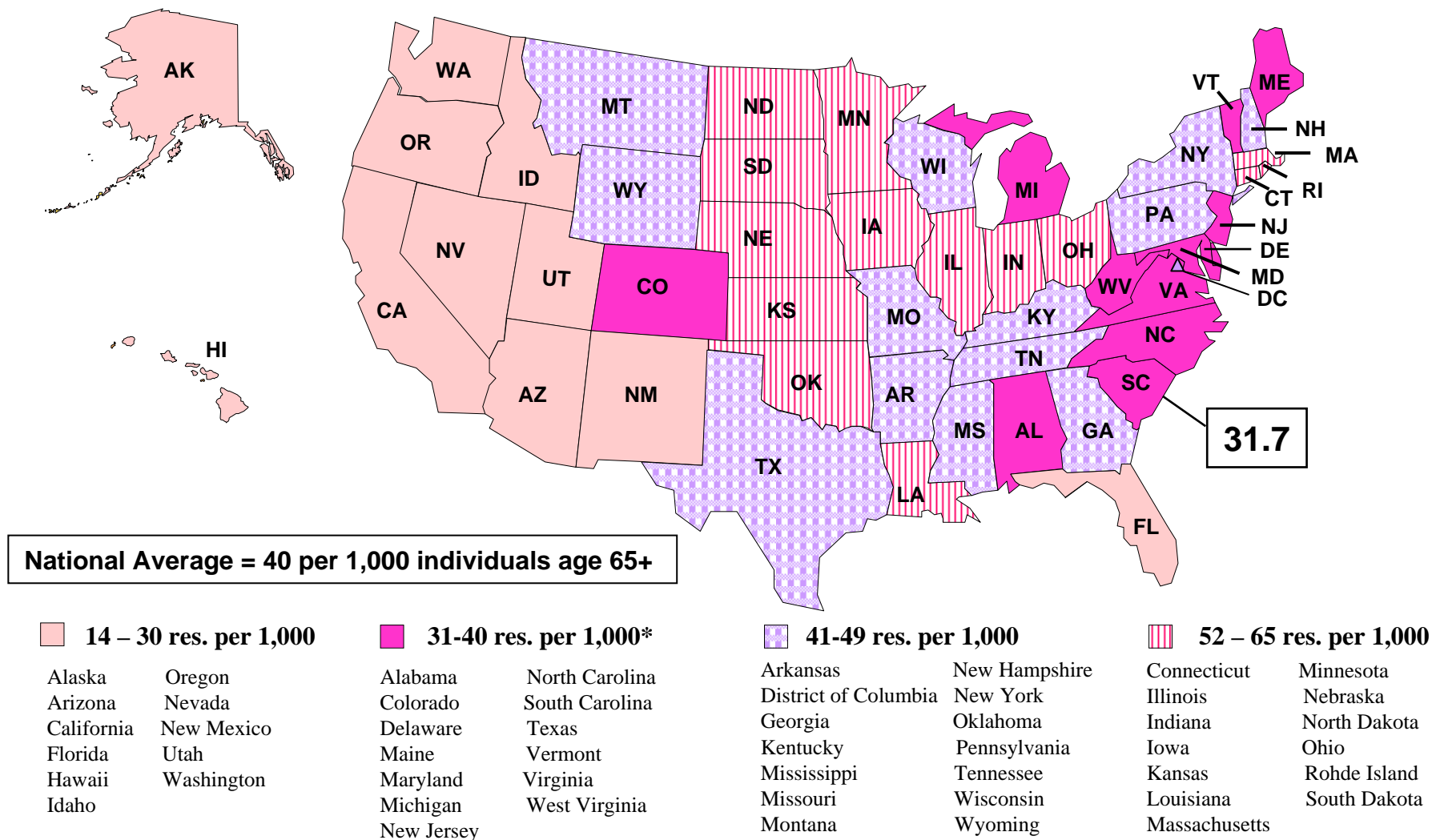
Source: 1999 National Long Term Care Survey and the 1994 National Health Interview Survey Disability Supplement.

Most Seniors with Disabilities Supported by Unpaid Care in the Community



Source: 1999 National Long Term Care Survey, 2002 Medicare Current Beneficiary Survey, and 2005 CMS Minimum Data Set.

Nursing Facility Residents per 1,000 Individuals Age 65+, 2005



How Much Do Long Term Services and Supports Cost?

◆ Nursing Facility Care (private room)

- Average annual cost in South Carolina -- \$58,320
- Average annual cost nationally -- \$74,806
- \$46,563 in Arkansas to \$196,735 in Alaska

◆ Assisted Living (private one bedroom)

- Average annual cost in South Carolina -- \$35,678
- Average annual cost nationally -- \$32,573
- \$19,308 in Montana to \$57,036 in Massachusetts

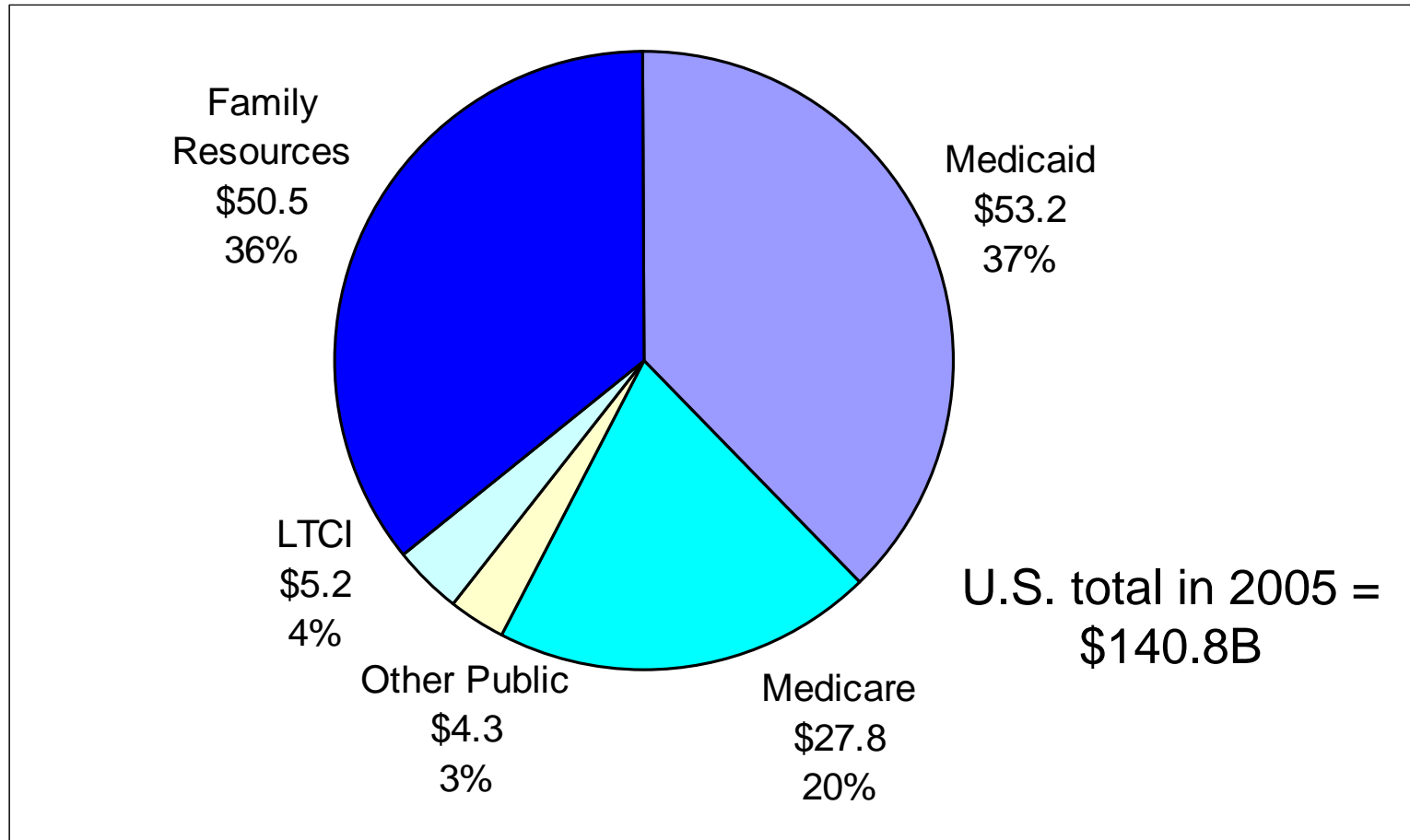
◆ Home Care

- Average hourly rate in South Carolina -- \$29.27
- Average hourly rate nationally -- \$25.47

Source: Genworth Financial 2007 Cost of Care Survey

http://longtermcare.genworth.com/comweb/consumer/pdfs/long_term_care/Cost_of_Care_Survey.pdf

LTSS Sources of Financing Among Seniors



Source: The Lewin Group estimate based on the Long Term Care Financing Model.

Medicare Covers Limited LTSS Benefits

- ◆ **Primarily post-acute care**
- ◆ **Home health services**
 - Beneficiaries who are homebound
 - Need part-time skilled nursing or therapy services, and
 - Under the care of a physician
 - 20 visits per user on average in SC in 2005 (27 nationally)
- ◆ **Skilled nursing facility care**
 - Up to 100 days for those recently discharged from a hospital
 - 35 days covered on average in 2005

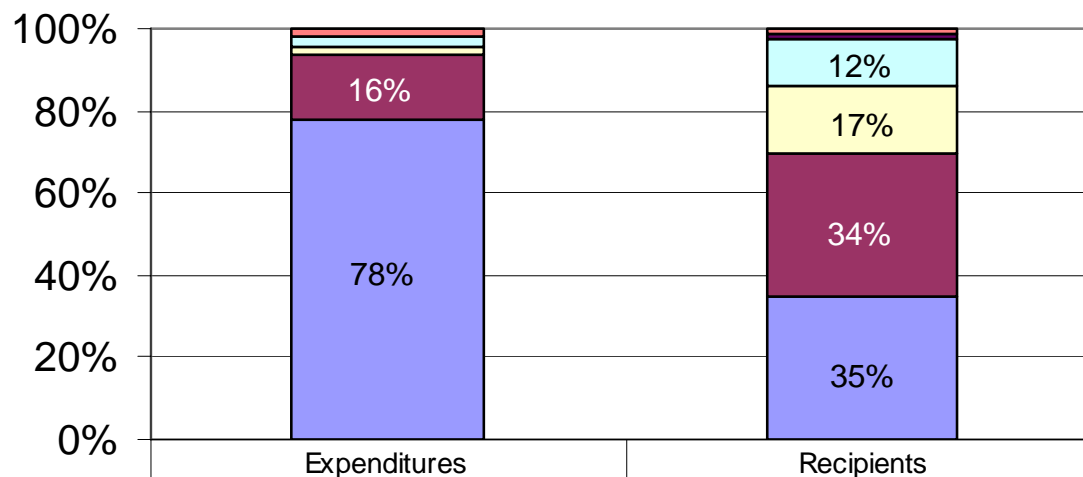
Eligibility Criteria Among LTSS Users Makes Medicaid the Payer of Last Resort

Pathway	Income Eligibility	Asset Limit Individual/Couple
<i>Mandatory Population</i>		
SSI Cash Assistance	$\leq 74\%$ of poverty (\$451/month for indiv.) (SSI income eligibility) \$951 Optional State Supplement for Community Residential Care Facilities	\$2,000 \$3,000
<i>Optional Populations</i>		
Poverty Level	$\leq 100\%$ of poverty	\$2,000 \$3,000
Special Income Rule for Nursing Home Residents	Income $< 300\%$ of the SSI level (\$1,869/month for indiv.)	\$2,000 Spousal Impoverishment
HCBS Waivers	Income up to 300% SSI level (same as 37 other states) 2,900 on wait list for Community Choices	\$2,000 \$3,000

*Medicaid benefits may be more limited than for SSI.

South Carolina LTSS Medicaid Spending and Recipients, 2006

South Carolina Medicaid LTSS, SFY2006

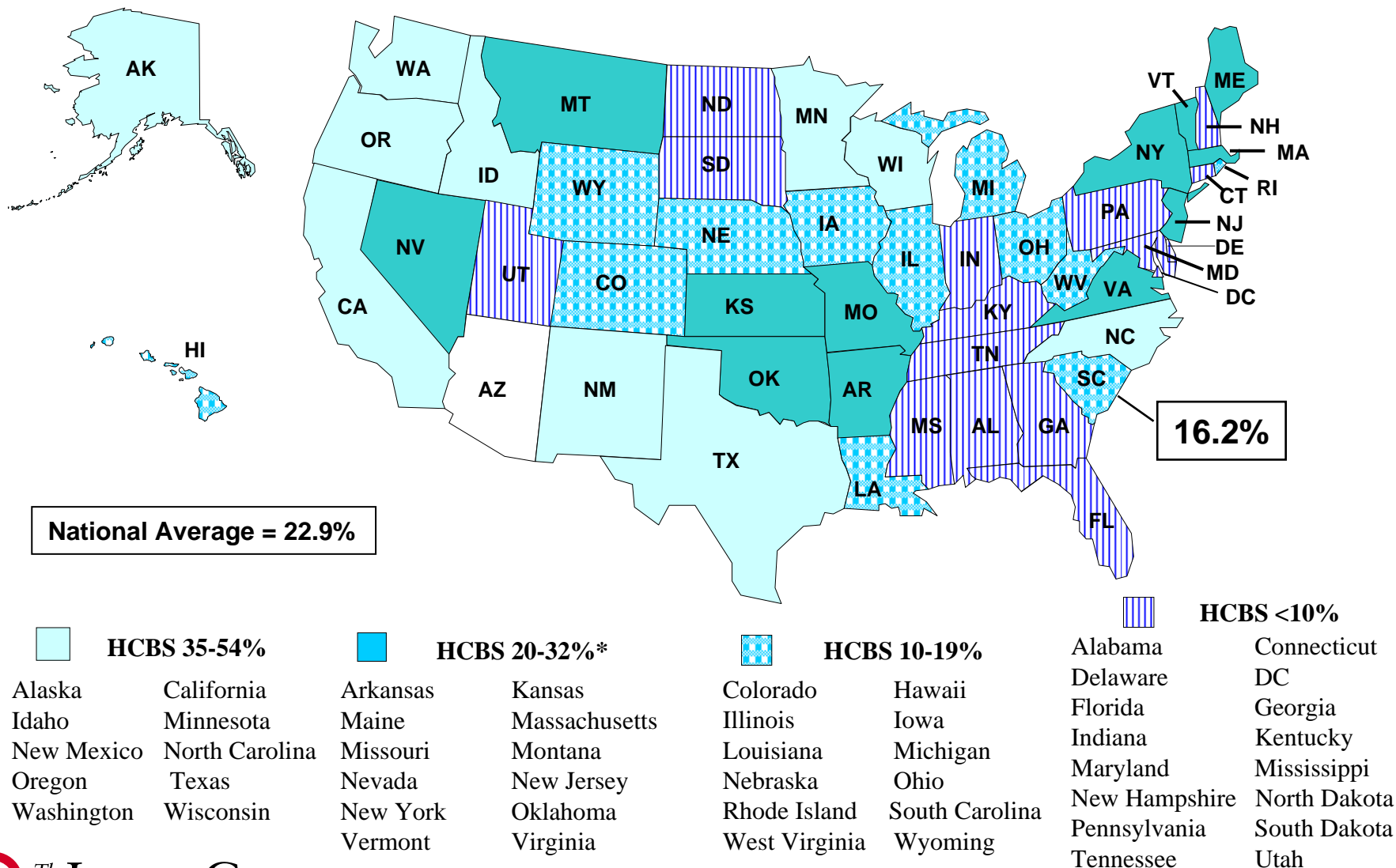


	Expenditures	Recipients
■ PACE	\$9	436
■ Integrated Personal Care (IPC)	\$2	775
□ Optional State Supplement (OSS)	\$13	5,277
■ Home Health	\$11	7,597
■ Community Long Term Care	\$86	15,740
■ Nursing Home Services	\$418	16,075

Source: South Carolina Department of Health and Human Services Fiscal Year 2006 Annual Report.

<http://www.dhhs.state.sc.us/Internet/pdf/37400full.pdf>

Percent HCBS of Medicaid LTSS Among Aged/Disabled, 2005



Out-of-Pocket Covers A Significant Portion

- ◆ **Some individuals pay for LTSS on their own**
- ◆ **Those who qualify for Medicaid also pay out-of-pocket**
 - Nursing facility residents with Medicaid financing contribute all of their income with the exception of a personal needs allowance (\$30-\$100/month)
 - On average, Medicaid nursing facility residents contribute 20% of their cost
 - Many states also require cost-sharing for their HCBS waiver
 - Medicaid rules protect the primary residence while the individual or their spouse is alive
 - OBRA '93 mandated estate recovery
 - In 2003, states recovered a total of \$347.4 million – on average 0.5% of Medicaid LTSS costs, however, Oregon recovered 2.2% (AARP, 2005)

Long Term Care Insurance (LTCi) Plays a Limited Role

- ◆ LTCi market emerged during the 1980s
- ◆ 11 million total policies sold through 2005; 6.4 million policyholders nationally in 2004;
 - 54,126 in SC in 2004, up from 42,828 in 2003 – 26% increase
- ◆ However, only approximately 10% of those age 65+ own LTCi policies because of:
 - Complicated and expensive policies -- \$1,337 to \$2,862 at age 65
 - Consumer lack of awareness and denial of need
 - Most policies must be “sold” by agents
- ◆ **Limited benefit payouts** - LTCi covers <5% of spending on LTSS for seniors
 - Many people lapse their policy prior to benefits
 - Early policies offered limited benefits – nursing home only and often no inflation protection
 - Benefits based on daily amount purchased and may not cover full cost of care

Source: American Health Insurance Plans (AHIP) (2004) Long Term Care Insurance and Life Insurance Manufacturers' Research Association (LIMRA) for number of policies sold and average premium.

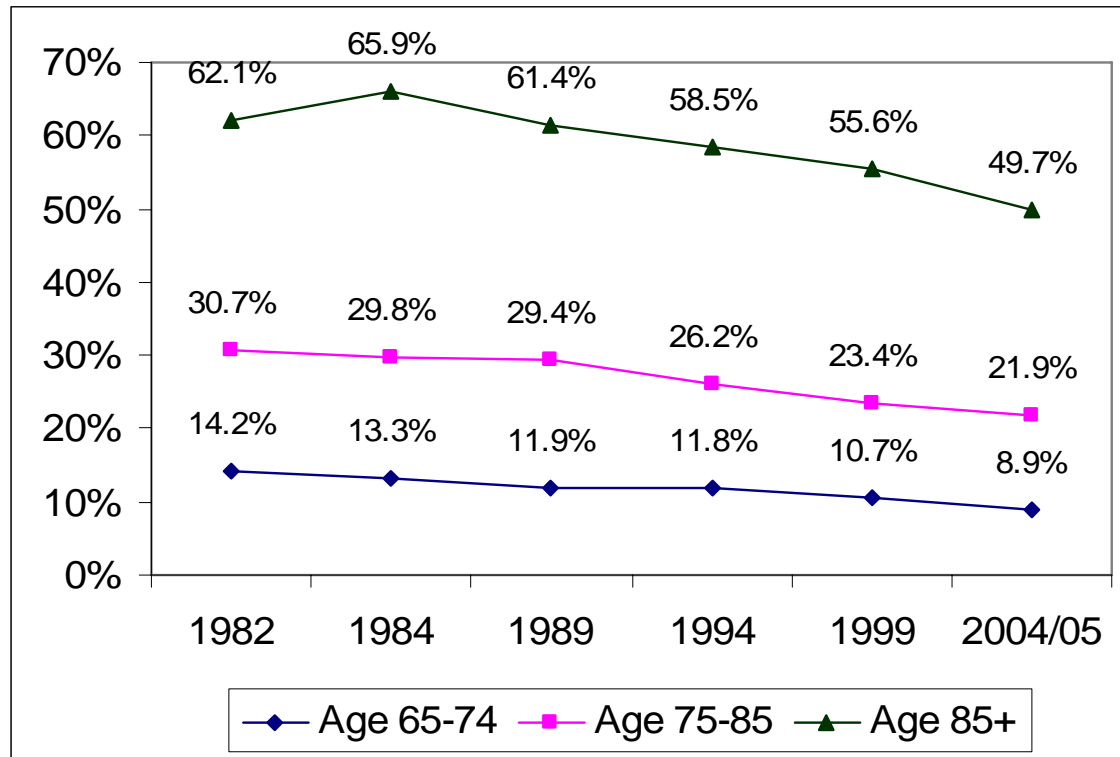
Major U.S. Long Term Services and Supports System Trends

- Demographics
- Delivery
- Financing

Demographic Trends

Disability Rates Declined Between 5.3 and 12.4 percentage points or 20 to 37 percent

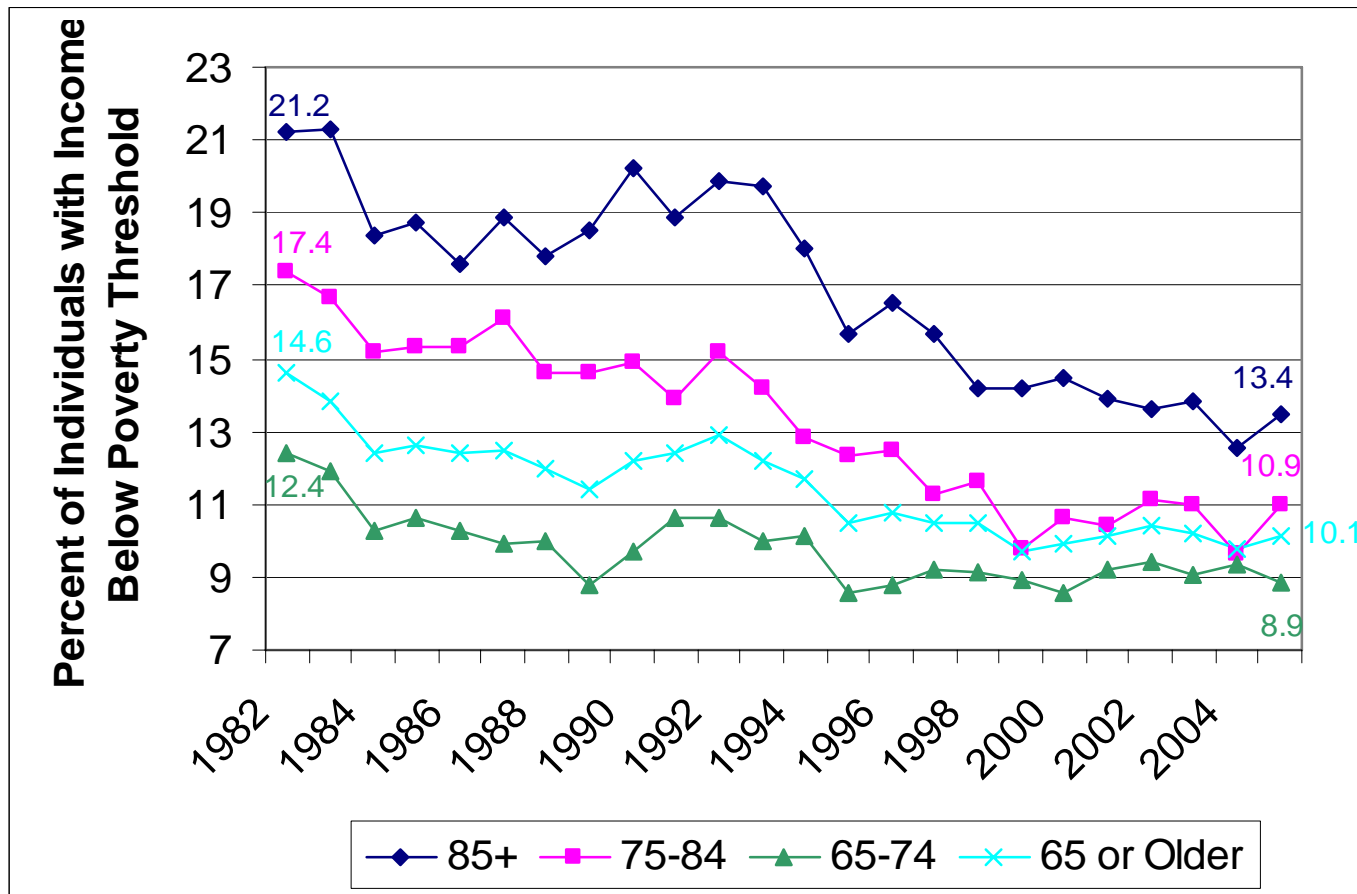
Percent with ADLs or IADLs Among Individuals Age 65 and Over by Age



Source: Manton, K.G., Gu, X., & Lamb V.L. (2006). Change in chronic disability from 1982 to 2004/2005 as measured by long-term changes in function and health in the U.S. elderly population. PNAS, 103(48); 18374-9 at <http://www.pnas.org/cgi/content/full/103/48/18374>.

Poverty Rates Among Oldest Old Declined by More Than 1/3rd

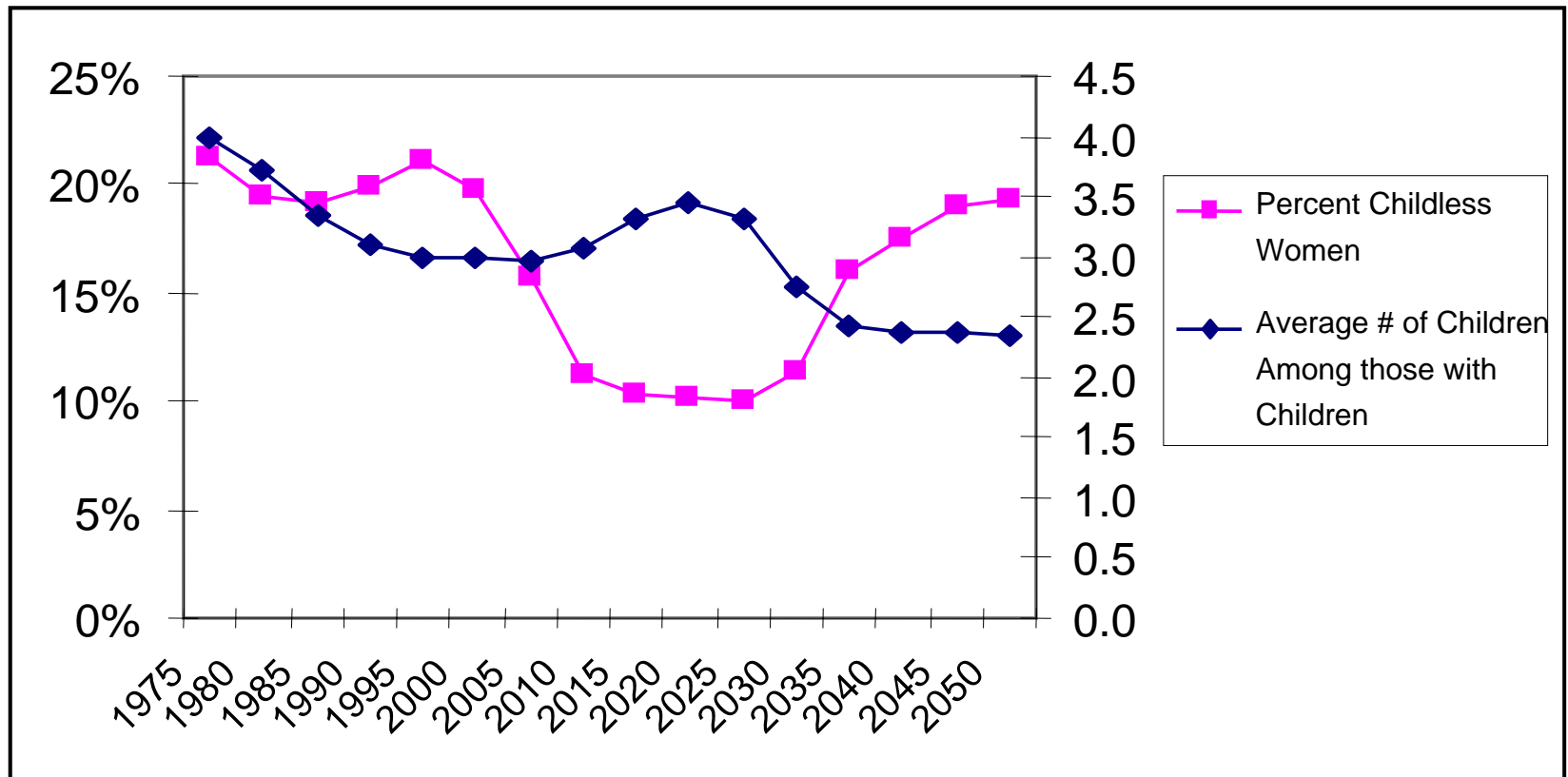
Elderly Poverty Rates Over Time



Source: Current Population Survey, Annual Supplement, 1983-2006.

Dip in Childless Women & Spike in Average Number of Children Among Mothers

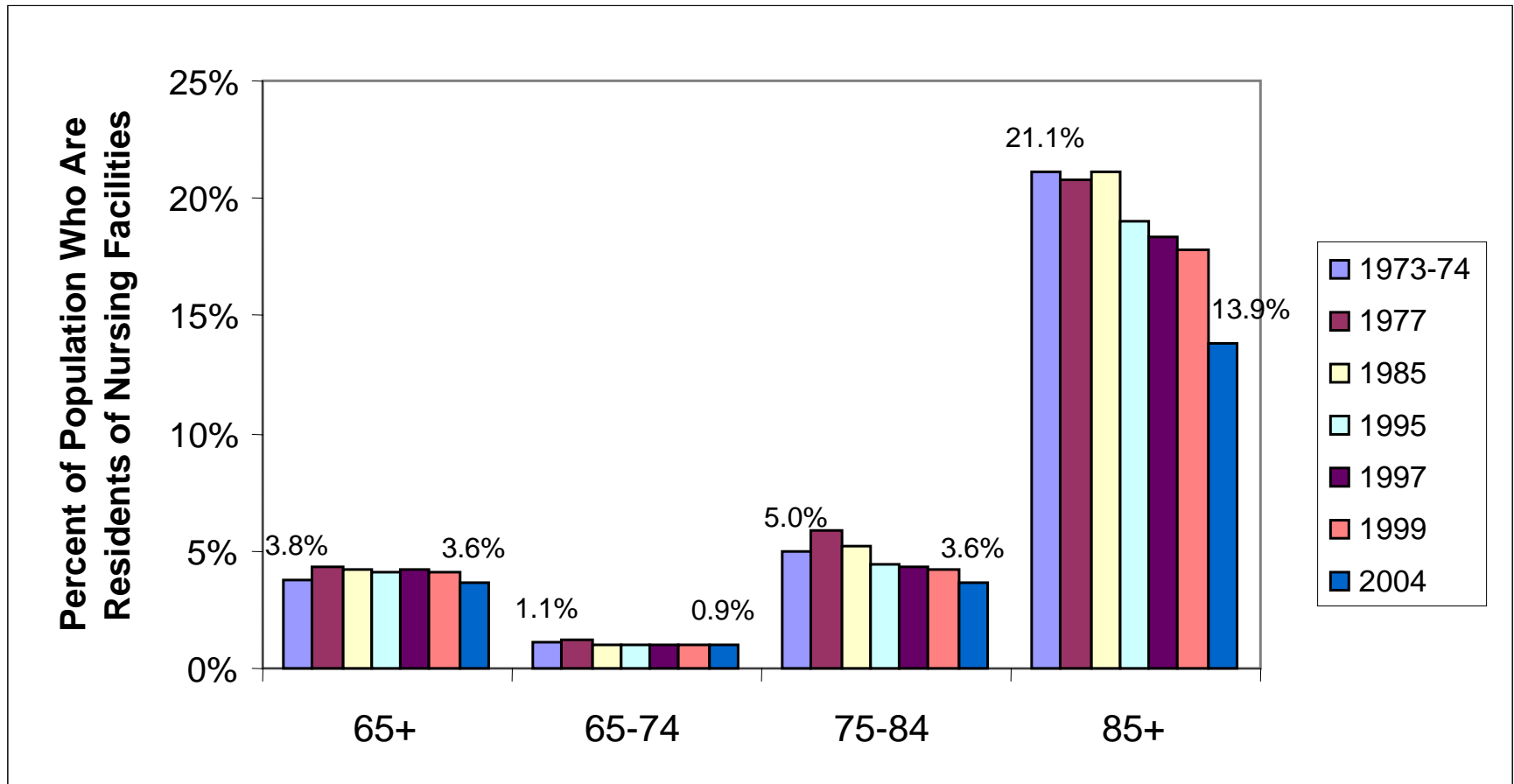
Status at Age 40-44 and Year When Age 85-89



Source: Bureau of the Census data..

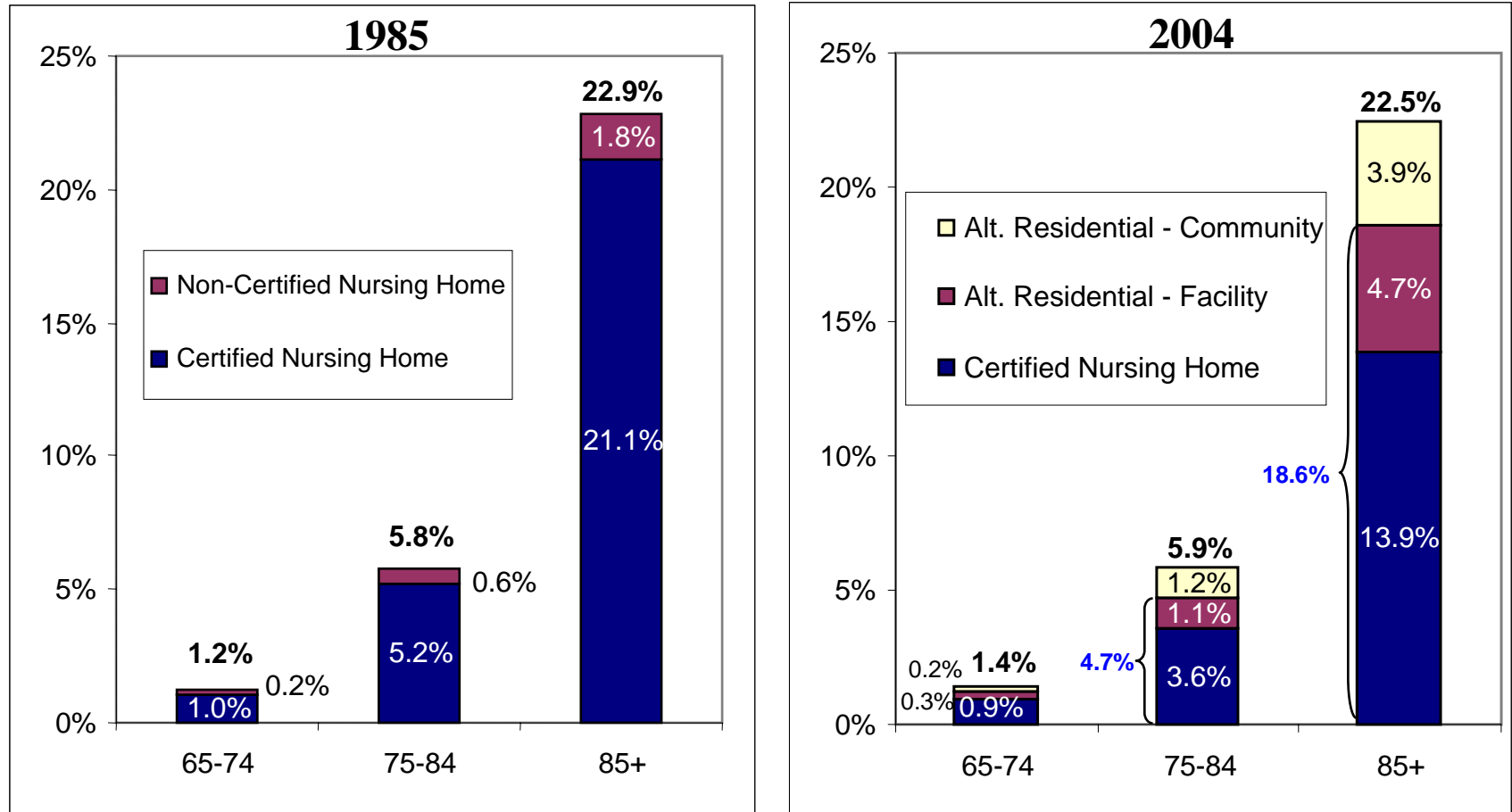
Delivery Trends

Significant Declines in the Use of Nursing Facilities Among Oldest Old



Source: 1973-4, 1997, 1985, 1995, 1997, 1999 and 2004 National Nursing Home Survey.

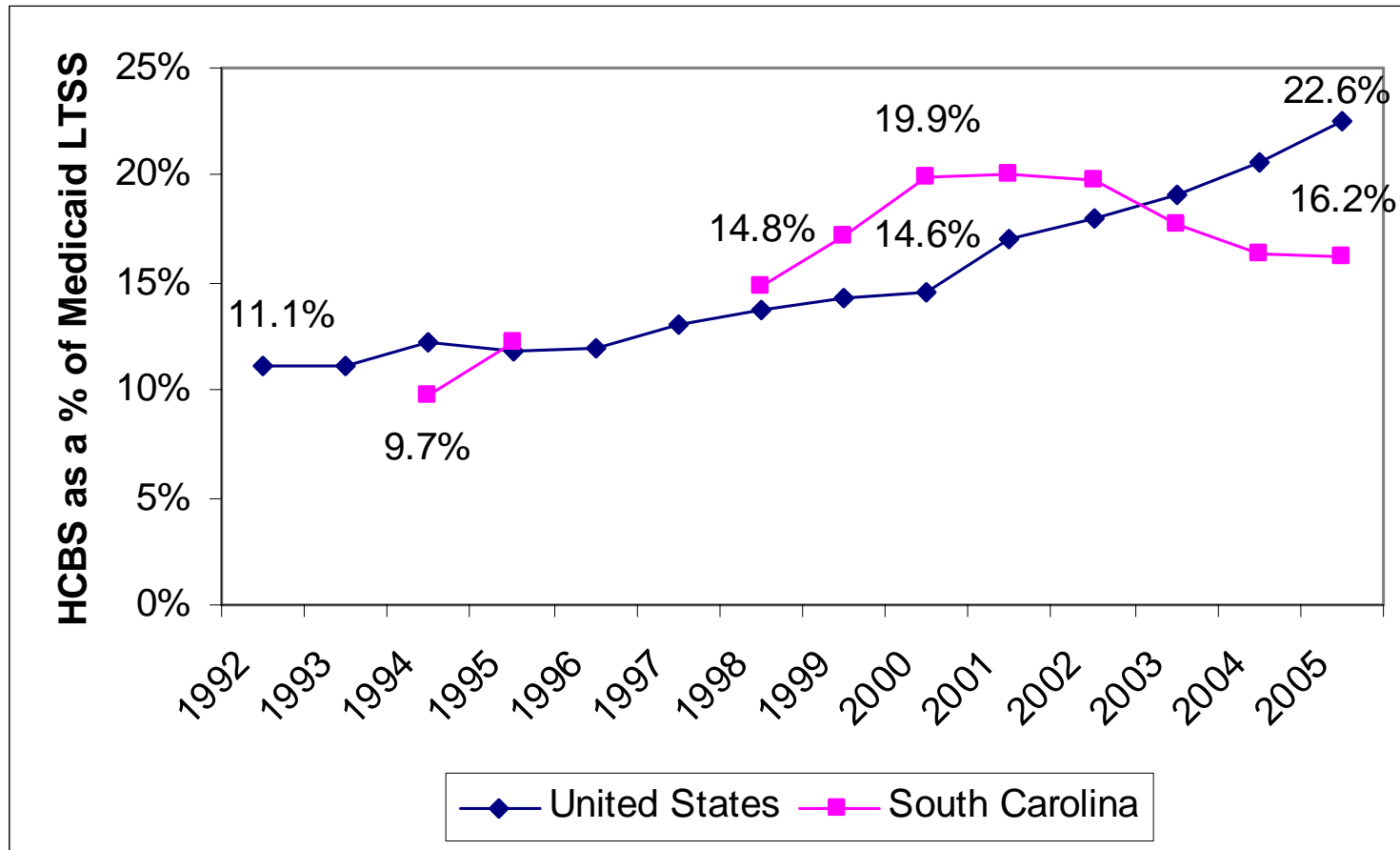
Much of Decline From Growth in Alternative Residential Settings



Source: The Lewin Group analysis of 1985 and 2004 National Nursing Home Survey and Spillman analysis of 2002 Medicare Current Beneficiary Survey.

Financing Trends

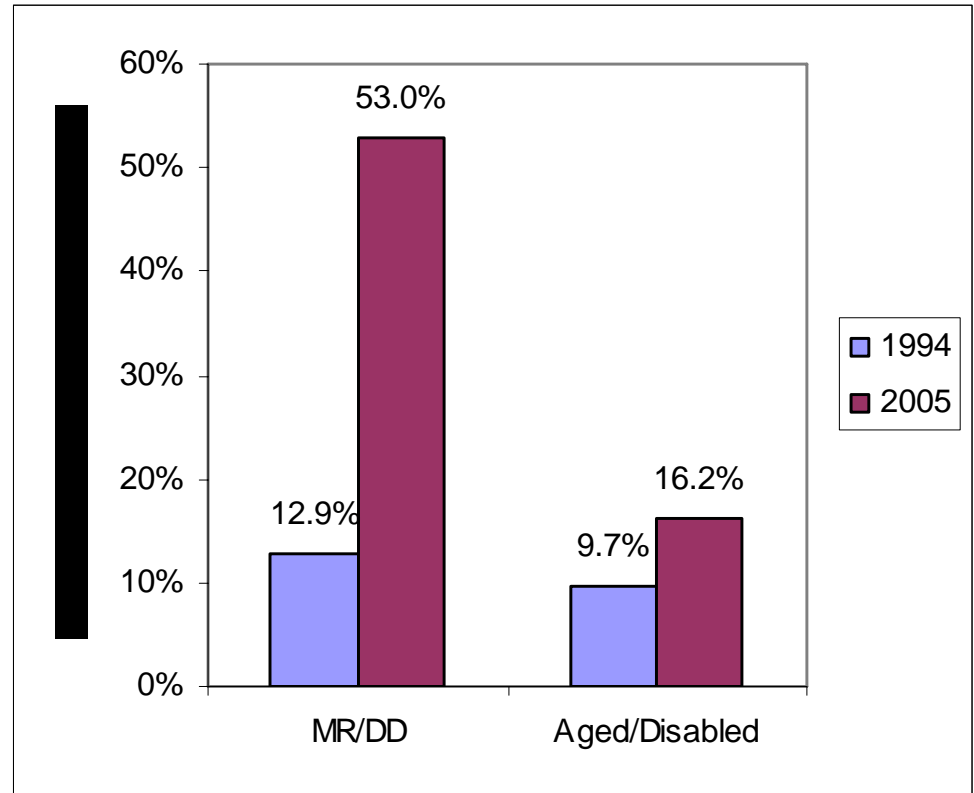
SC Medicaid LTSS Devoted to HCBS for Grew Significantly in the Last Decade



Source: 2005 MedStat LTSS Data, Lewin Analysis. Long term services and supports includes nursing facility, state plan personal care and home and community-based waivers for the aged and disabled.

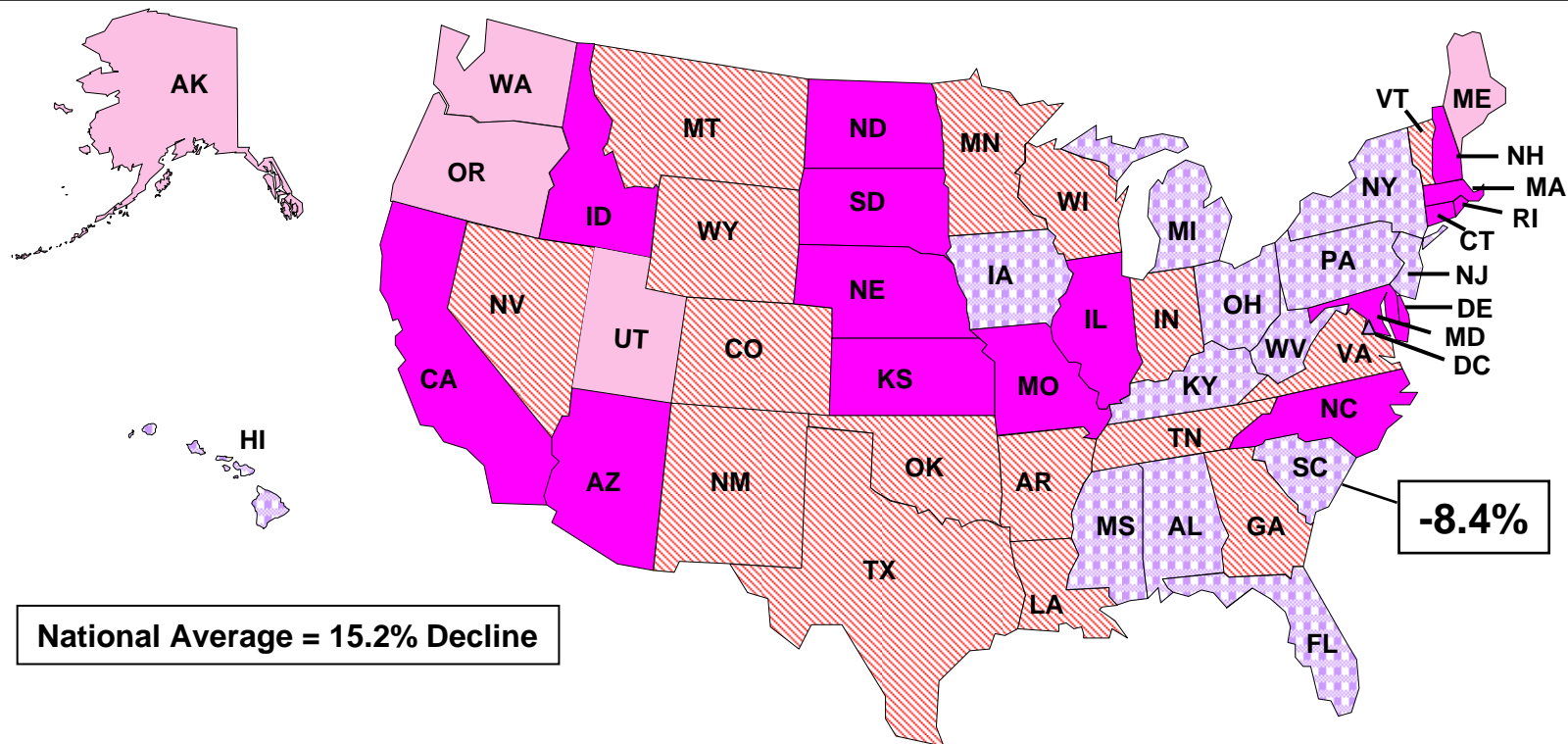
Greater Progress “Rebalancing” LTSS for MR/DD than Aged and Disabled in SC

- ◆ Proportion of Medicaid LTSS spending on HCBS for MR/DD more than quadrupled (410%) over the past decade while A/D grew 67%



Source: The Lewin Group calculations based on CMS Form 64 and 372 data compiled by Medstat,

Change in Per Capita Medicaid Nursing Facility Residents, 1995-2005



30% or More Decline

Alaska
Maine
Oregon

20% to 30% Decline

Arkansas
Colorado
Georgia
Indiana
Louisiana
Minnesota
Montana
Nevada
New Mexico
Oklahoma
Tennessee
Texas
Vermont
Virginia
Wisconsin
Wyoming

10% to 20% Decline

Arizona
California
Connecticut
Delaware
Idaho
Illinois
Kansas
Maryland
Massachusetts
Missouri
Nebraska
New Hampshire
North Carolina
North Dakota
Rhode Island
South Dakota

Less than 10% Decline

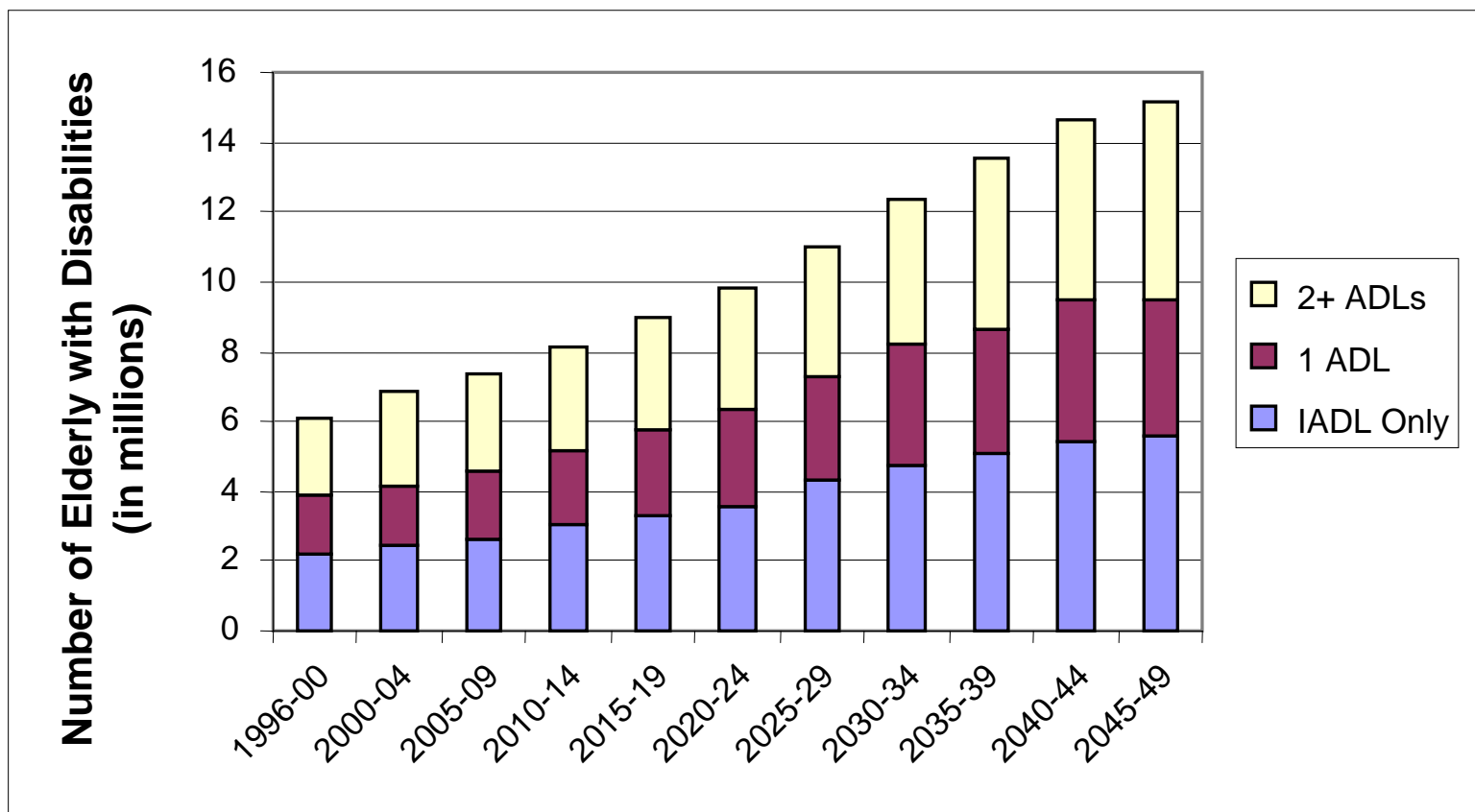
Alabama
District of Columbia
Florida
Hawaii
Iowa
Kentucky
Michigan
Mississippi
New Jersey
New York
Ohio
Pennsylvania
South Carolina
West Virginia

Implications of Financing System

- ◆ **Financing silos and institutional bias of Medicaid eligibility make rebalancing difficult**
- ◆ **Olmstead Decision and President's New Freedom Initiative focus on individual choice and shifting the balance**
- ◆ **Lack of insurance to spread risk means individuals responsible for paying for much of their care**
- ◆ **Medicaid managed care re-emerging as states seek to eliminate institutional bias, improve service provision, and control costs**
 - **May stand in contrast to consumer direction movement**

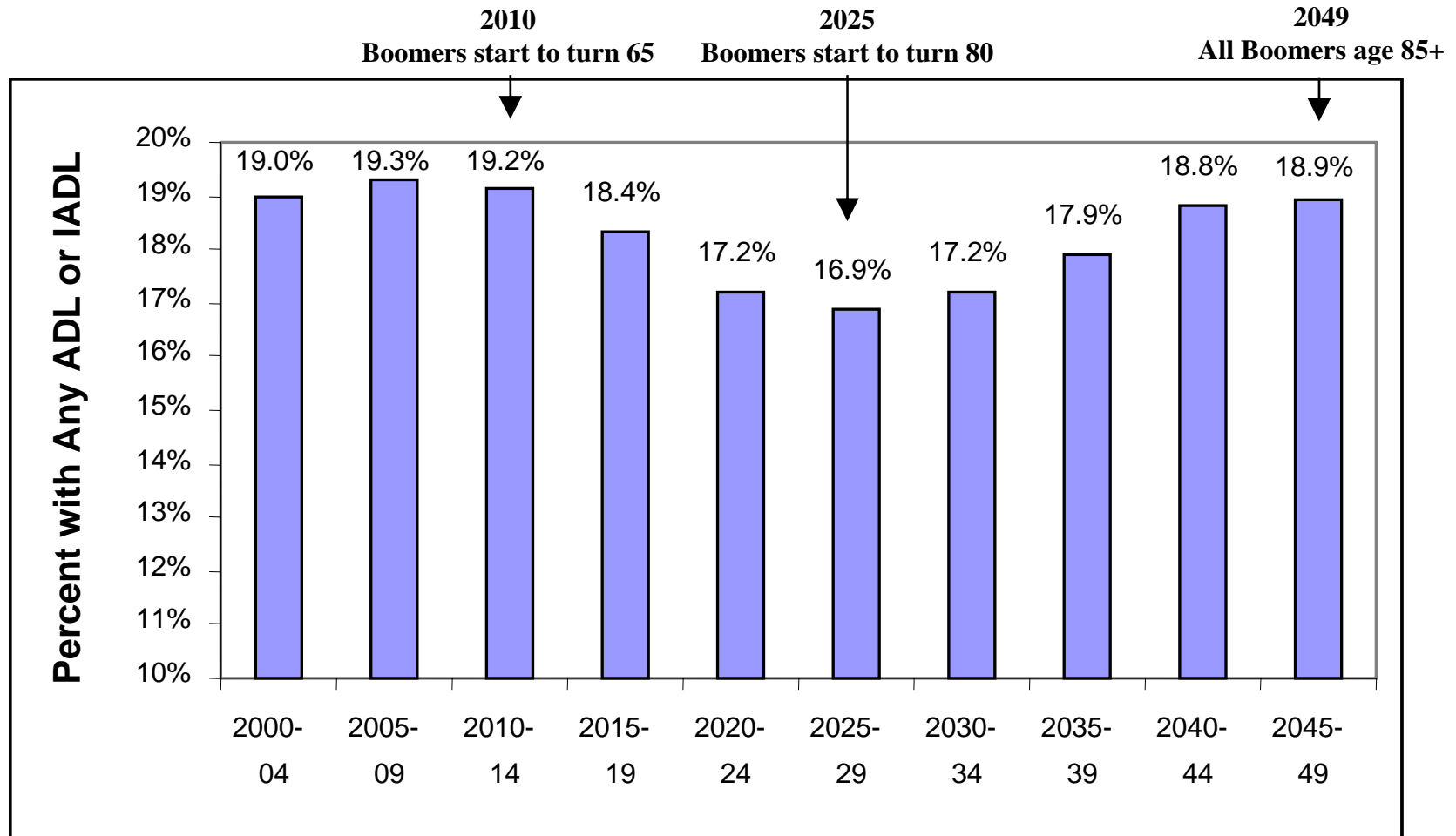
Preparing for the Future

Aging of Baby Boomers Will More than Double the Number of Older Adults Age 65+ with Disabilities



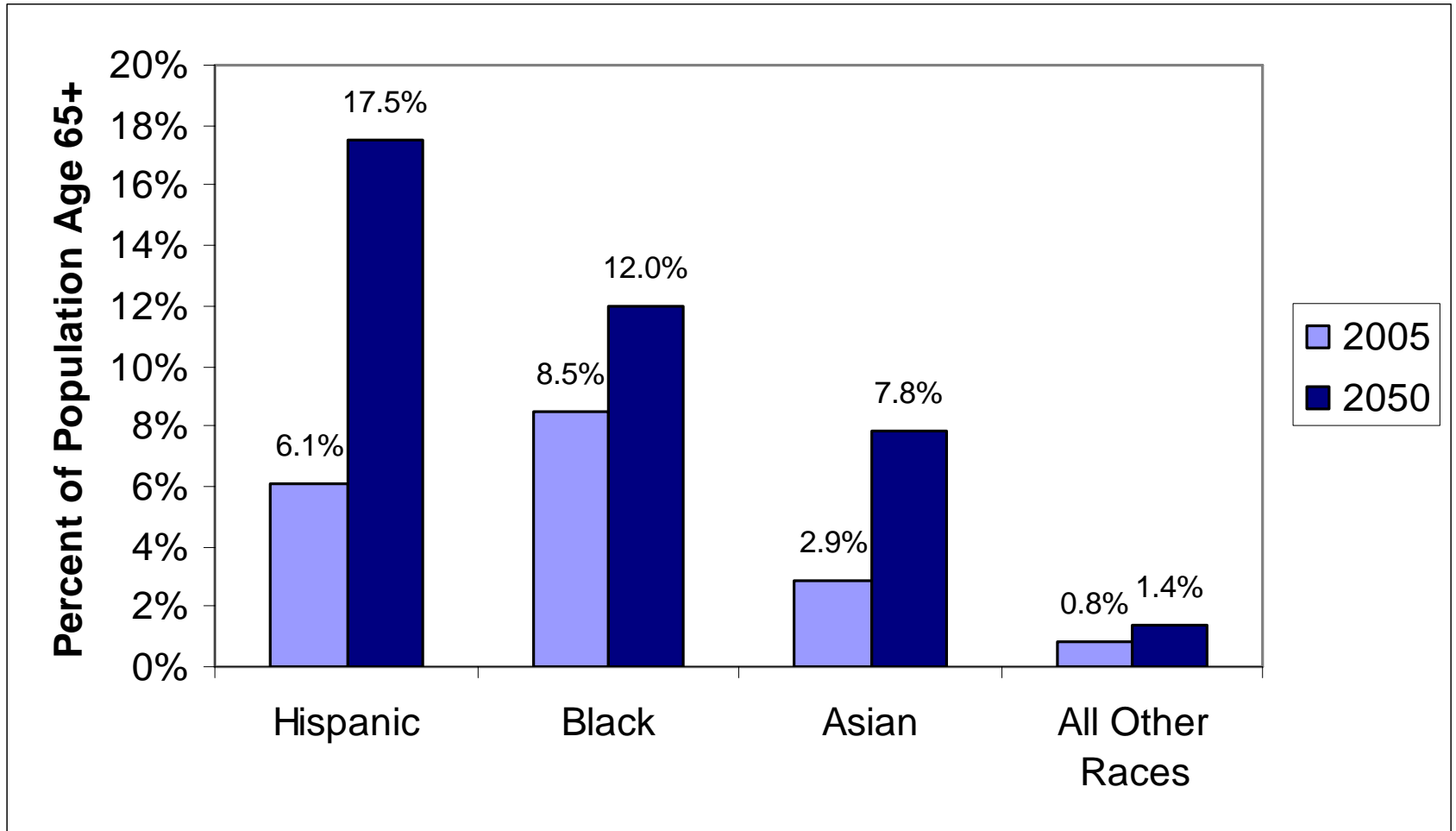
Source: The Lewin Group based on the Long Term Care Financing Model.

Percent of Elderly with Disabilities Reflects the Growth of the Oldest Old



Source: The Lewin Group based on the Long Term Care Financing Model.

Increasing Minority Representation



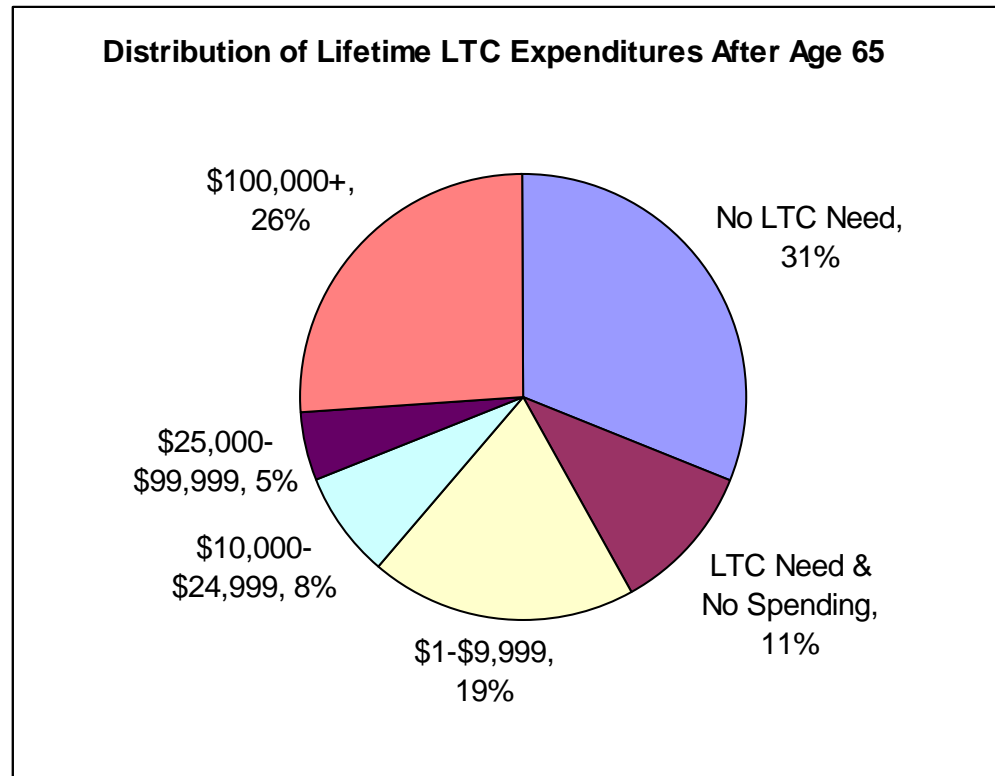
Remaining Lifetime Use of LTSS by People Turning 65 in 2005

Type of Care	Avg. Years of Care	% of People Using	Avg. Years of Care Among Users
All LTSS need	3.0	69	4.3
At home			
Informal care only	1.4	59	2.4
Formal care	0.5	42	1.2
Any care at home	1.9	65	2.9
In facilities			
Nursing facilities	0.8	35	2.3
Assisted living	0.3	13	2.3
Any care in facilities	1.1	37	3.0

Source: Kemper, Komisar & Alecxih; *Inquiry*; Vol. 42, Winter 2005/2006.

While Most Could Save Enough, Over 25% Face Expenses Over \$100,000

- ◆ 2000 median net worth among elderly was \$110,000, but only \$25,000 excluding home equity



**Average lifetime
per capita
at age 65 =
\$47,000**

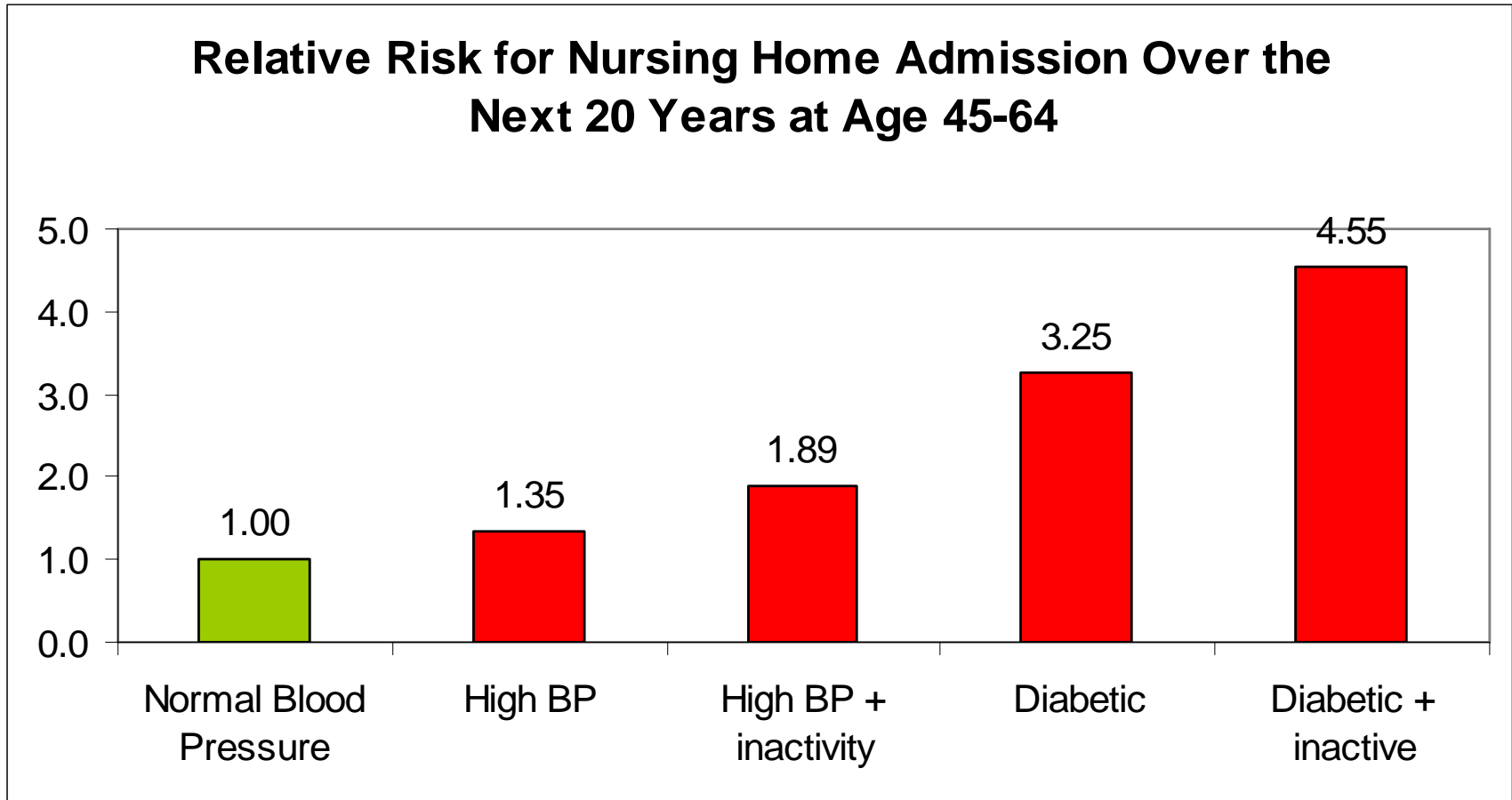
Source: Kemper, Komisar & Alecxih;
Inquiry; Vol. 42, Winter 2005/2006.

Source: Net worth based on 2000 Health and Retirement Survey.

Few Americans Plan Ahead for LTSS Needs

- ◆ Less than 10% of those age 65+ own a long term care insurance policy
- ◆ Long term care insurance policies can be expensive and may be unaffordable for many middle-income Americans.
- ◆ Baby boomers had children later than any previous generation and worry more about college tuition than financing future LTSS needs
- ◆ Older adults own nearly \$3 trillion in home equity, yet few take advantage of methods to tap this resource.

Lifestyle Choices Affect Nursing Home Use



Source: Valiyeva E, et al. Lifestyle-Related Risk Factors and Risk of Future Nursing Home Admission. Archives of Internal Medicine. 2006; 166:985-90. May 8, 2006.

Conclusions

- ◆ **Consumers need trusted and reliable information about their options to make informed decision**
- ◆ **Expect support options to continue to evolve:**
 - Respond to market demand
 - Role of technology
 - States interests in lower cost alternatives
- ◆ **Encouraging purchase at younger ages would be the most effective policy for increasing the role of LTC insurance.**
- ◆ **Standardizing the reverse mortgage process could promote the use and/or access to assistance for care planning when using personal assets.**